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 *** BEGIN MESSAGE 1 ***
                        UDN=M(2961) EDIT NR = A(6)M(873)
  SERIAL=WARSAW8086-84
  CLASS=CONFIDENTIAL
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  R 210826Z AUG 84
  FM AMEMBASSY WARSAW
  TO SECSTATE WASHDC 6550
  CONFIDENTIAL WARSAW 8086
   SERIAL: WARSAW 8086-84
  EO 12356: DECL: OADR
  TAGS: EFIN, PL
  SUBJECT: MINISTRY OF FINANCE OFFICIAL DISCUSSIONS IMF, PARIS
   CLUB
  REF: STATE 202032
  1. (CONFIDENTIAL - ENTIRE TEXT)
  2. SUMMARY: MINISTRY OF FINANCE INTERNATIONAL DIRECTOR
  KARCZ EXPRESSED HOPE THAT POLAND WILL BE ABLE TO ENTER
   IMF SOON ALTHOUGH HE NOTED THAT IMF WOULD NOT BE A
   PANACEA FOR POLAND'S FINANCIAL PROBLEMS. ON PARIS CLUB
   MATTERS, KARCZ SAID THAT HE WILL PREPARE A RESPONSE TO
   DAS CONSTABLE'S LETTER THE WEEK OF AUGUST 20 AND RENEWED
   HIS REQUEST FOR A MEETING WITH HER TO CLEAR UP TECHNICAL
   BILATERAL ISSUES RELATING TO THE PARIS CLUB NEGOTIATIONS.
   EMBASSY REQUESTS A CLARIFICATION OF NON-CONSOLIDATED
   DEBT CALCULATIONS. END SUMMARY.
   3. IMF: BETTER IN THAN OUT: IN AN AUGUST 17 CONVERSATION
   WITH THE DCM, KARCZ EXPRESSED SATISFACTION WITH THE U.S.
   MOVE TO LIFT CIVAIR AND SCIENTIFIC EXCHANGE SANCTIONS
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   AND HOPED THAT THE U.S. WOULD ACT TO REMOVE ITS IMF
   OBJECTIONS. COMMENTING ON THE OFFICIAL POLISH
   GOVERNMENT REACTION TO RELAXATION OF SANCTIONS,
   KARCZ REGRETTED THAT IT CONTAINED MORE WORDS THAN
   IT SHOULD HAVE (PRESUMABLY A REFERENCE TO THE PROPA-
   GANDISTIC TONE OF THE NOTE) BUT WAS PLEASED WITH ITS
   SUBSTANCE. KARCZ BELIEVES THAT IMF WOULD NOT BE A
   *PANCEA FOR THE POLISH ECONOMY AND DID NOT WANT TO
   SPECULATE ON THE KIND OF CONDITIONALITY THAT AN IMF
   PROGRAM MIGHT MEAN FOR POLAND. HE NOTED THAT POLAND
   ALREADY ALLOCATES ABOUT THIRTY PERCENT OF ITS EXPORTS
   TO DEBT REPAYMENT AND DOES NOT BELIEVE THAT THE IMF
   COULD ASK MUCH MORE THAN THAT. IMF MEMBERSHIP WOULD
   CARRY WITH IT MANY RESPONSIBILITIES, KARCZ SAID, BUT
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   FOR ALL *CONCERENED, INCLUDING THE WESTERN CREDITORS,
    IT IS BETTER THAT POLAND IS IN THAN OUT. TO THE ISSUE
    OF WHETHER THE GOVERNMENT COULD USE IMF AS THE SCAPEGOAT
    FOR MORE ECONOMIC AUSTERITY, KARCZ SAID THAT WHILE SOME
    INTELLECTUALS MIGHT BELIEVE IT, POLISH WORKERS WOULD BE
    FAR MORE DIFFICULT TO CONVINCE.
    4. PARIS CLUB: KARCZ SAID HE WAS NOT AWARE OF WHEN
    THE NEXT PARIS CLUB MEETING WOULD BE, SAYING THAT HE HAD
    HEARD BOTH SEPTEMBER 6 AND SEPTEMBER 14 AS POSSIBLE
    DATES. HE OFFERED NO NEW THOUGHTS ON THE IMPASSE
    OVER THE NON-CONSOLIDATED DEBT OWED THE U.S.
    KARCZ NOTED THAT HE OWES A RESPONSE TO THE JULY 16
    LETTER FROM DAS CONSTABLE AND IN PARTICULAR TO THE
    QUESTION OF WHETHER THE POLISH GOVERNMENT WOULD BE
    WILLING TO PROCEED IN THE ABSENCE OF SIGNED IMPLE-
    MENTING AGREEMENTS. HE SAID HE EXPECTS TO PREPARE
    A RESPONSE THE WEEK OF AUGUST 20. IMPLYING, AS HE
    DID UPON INITIAL RECEIPT OF THE LETTER, THAT PROCEEDING
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    WITHOUT IMPLEMENTING AGREEMENTS MIGHT BE WORKABLE,
    KARCZ SAID THAT THERE ARE STILL MANY TECHNICAL ISSUES
    TO CLEAR UP, RETURNING TO A THEME RAISED IN REFTEL, HE
    STRESSED THAT THERE SHOULD BE NO MISUNDERSTANDINGS.
    WITH THIS IN MIND, HE RENEWED HIS INTEREST IN A MEETING
    WITH DAS CONSTABLE IN WARSAW, WASHINGTON OR ELSEWHERE
    AND EMPHASIZED THAT THE AGENDA FOR SUCH A MEETING WOULD
    BE STRICTLY BILATERAL ISSUES RELATING TO THE OFFICIAL DEBT
    OWED TO THE U.S.
    5. REQUEST FOR CLARIFICATION: OUR UNDERSTANDING OF
    THE AMOUNT DUE THE U.S. FROM THE NON-CONSOLIDATED
    DEBT IS 28.322 MILLION DOLLARS PLUS INTEREST ON NON-
    CONSOLIDATED ARREARS OF 7.900 MILLION FOR A TOTAL OF 36.122
    MILLION DOLLARS. (THE INTEREST WOULD BE SOMEWHAT LESS IF THE
    CALCULATION IS MADE BEFORE MAY 31). KARCZ INDICATED
    THAT HIS UNDERSTANDING IS THAT INTEREST ON ARREARAGE
    OF THE NON-CONSOLIDATED DEBT IS NOT INCLUDED IN THE
    PARIS CLUB DEMAND FOR UP FRONT PAYMENT OF NON-
    CONSOLIDATED DEBT OWED TO THE U.S. WE BASE OUR
    UNDERSTANDING (AMONG OTHER REFERENCES) ON THE CREDITOR
    NON-PAPER (CONTAINED IN REFTEL) WHICH WAS HANDED TO
    THE POLES AT THE JULY 7 PARIS CLUB MEETING. KARCZ,
    INSTEAD, USED A FIGURE OF ROUGHLY 24 MILLION DOLLARS
    WHICH HE DESCRIBED AS THE DIFFERENCE BETWEEN THE
    TWENTY PERCENT OF NON-CONSOLIDATED DEBT THAT THE POLES
    ARE WILLING TO PAY IMMEDIATELY (IN THE FRAMEWORK OF
    THE 20/30/50 FORMULA FOR CONSOLIDATED AMOUNTS) AND THE
    100 PERCENT THAT THE PARIS CLUB HAS DEMANDED. FOR
    OUR OWN INFORMATION, WE WOULD APPRECIATE CLARIFICATION
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    OF THESE AMOUNTS.
    DAVIS
                        ""CONFIDENTIAL ""
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